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SUBJECT: THE AMBASSADOR'S MEETING WITH AVIGDOR LIEBERMAN:  
LAND FOR PEACE IS A MISTAKE, ECONOMICS AND SECURITY ARE THE  
KEY

Classified By: Ambassador James B. Cunningham, Reason 1.4 (b) (d)

¶1. (C) Summary. During a September 15 meeting at the Knesset, Yisrael Beiteinu (YB) Party leader Avigdor Lieberman described to the Ambassador his views on the Israeli-Palestinian conflict and other regional issues, his concern over deteriorating U.S.-Russian relations, and his robust political ambitions for YB as "Israel's only classic right-wing party." Speaking two days before the Kadima Party primaries, Lieberman was dismissive of both Tzippi Livni and Shaul Mofaz, and predicted early elections leading to a right-wing Likud-YB coalition government. Lieberman observed that Western governments cannot fight terrorist organizations effectively, but should instead go after their state sponsors, Iran and Syria. The Ambassador noted the heavy U.S. investment in stabilizing the West Bank through training security forces, economic development, and institution building. Regarding Russia, the Ambassador told Lieberman that the U.S. is trying to find a way to continue working with Russia on Iran despite the new tension in our relations. The Ambassador also commented that Syria may be the weak link in Iran's regional network. End Summary.

¶2. (U) The Ambassador, accompanied by Pol Couns, called on Yisrael Beiteinu Party leader and former Minister for Strategic Threats Avigdor Lieberman September 15 in Lieberman's Knesset office. Lieberman was joined by former Ambassador to the U.S. Danny Ayalon, who has recently become a senior Lieberman policy adviser. Lieberman stated at the outset that YB is "Israel's only classic right-wing party" since it combines tough advocacy of Israeli nationalism with free market economics and separation between synagogue and state. Noting that Israel has had eleven foreign ministers and nine defense ministers in the past ten years, Lieberman called for establishing a presidential political system in Israel.

Israeli-Palestinian Conflict "Small Part"  
of Region's Problems  
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¶3. (C) Turning to the Israeli-Palestinian conflict, Lieberman called it a "small part" of the region's problems. The Arab world today is weak: the strongest regional powers, Iran, Turkey, and Israel, are all non-Arab. President Mubarak is in bad shape, and the Muslim Brotherhood is poised to take power in Egypt when he dies. Ninety-seven percent of the conflicts in the Middle East in the past two decades had nothing to do with Israel, he said, citing the Iran-Iraq war, the two U.S.-led interventions in the Gulf, the Yemeni civil war, and the bloodletting in Algeria. Arabs leaders exploit the Palestinian cause to "excite the crowds." They are happy Israel exists to serve this function.

¶4. (C) Lieberman asserted that "the State Department" has an incorrect understanding of the Israeli-Palestinian conflict. Land-for-peace is a "big mistake" since the conflict is not about territory but rather about Israel's existence. The Arabs rejected Israel before 1967 and before 1948. Settlers

and settlements are not the cause of the conflict and it will not be resolved if they are removed from the West Bank. Instead there is a double conflict between the Israeli and the Palestinian nations and between radical Islam and Israel as the "frontline state of the West." 9/11, the bombings in London, Madrid, and Bali had nothing to do with Israel, nor did Bin Ladin's call for establishing a new Caliphate.

#### Israeli-Palestinian Interaction

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15. (C) Lieberman described Israel's relations with the Palestinians as operating at three levels: security, economics, and politics. The first two need to be solved before taking on the political aspects. In response to the Ambassador's question how he would solve the Palestinian issue, Lieberman said he supports a territorial exchange in which Israel would retain the large settlement blocs in the West Bank and in return give the Palestinians heavily Arab-populated areas such as the "little triangle" in the Galilee. While security is Israel's top priority, Lieberman said economic development is the top Palestinian concern. Palestinians earn an average of \$300 a month, while average monthly wages in Israel are about \$2,300. In addition, Palestinians face fifty percent unemployment. This kind of inequality generates resentment and hatred, and must be addressed.

16. (C) The Ambassador responded that the U.S. is investing heavily in assisting the Palestinians in three areas: training the PA's security forces, where we are seeing good results, economic development, and institution building,

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including work on law enforcement structures such as courts and prisons. The Ambassador noted that if Gaza is removed from the equation, the economy of the West Bank may be growing by four to six percent annually. This shows there is a way forward for the Palestinians. Lieberman admitted that he had changed his mind about Salam Fayyad, whom he believes can become a "real partner" for Israel if he can remain in power for two to three years. Lieberman called Mahmoud Abbas "old and tired" and added that he did not support the release of Marwan Barghouti because he thought Barghouti would undermine Fayyad. The Ambassador noted that some Palestinian local politicians are focusing on economic development. Lieberman said it would only take five to ten local leaders in the West Bank to start changing the economic situation. Lieberman said that " Hamas should be suffocated " in Gaza. The real threat is Iran working through its "outposts" in Gaza and Lebanon.

#### Iran, Russia and the Security Council

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17. (C) Lieberman said he had no faith in the Security Council's ability to pressure Iran to stop its nuclear program. Tensions between the U.S. and Russia were undermining the Security Council's effectiveness. The West must determine its priorities, it cannot do everything at the same time. Fanatic Muslims are "like the Nazis," Iran's drive to develop nuclear weapons must be stopped. Kosovo and Georgia are lesser issues and can wait, Lieberman said. Russia is also worried about Iran, and the Russians feel that the West is pushing them into supporting Chavez and Ahmadinejad.

18. (C) The Ambassador agreed that relations with Russia are difficult, the tensions have been building for years. He assured Lieberman that the U.S. is talking to the Russians and trying to find a way to continue to cooperate on Iran despite the tense state of our relations. We do not know if this will work, however, and we are disappointed by the results of years of effort in the Security Council. The Ambassador stressed that Iran will be a top priority for the next U.S. Administration regardless of who wins our election.

Dealing with Syria  
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¶9. (C) Lieberman said Israel's greatest mistake in the Lebanon War had been not going after Syria. Syria must understand it will pay a great price for its support for Hizballah, he said, adding that President Asad must know that the price will affect him personally. The Ambassador said he hoped it would be possible to change Syrian policy without destroying Damascus. Lieberman commented that a modern Western country such as Israel cannot fight a terrorist organization effectively, it must instead go after the state sponsors, Iran and Syria. In dealing with Syria, Lieberman said they should only receive one warning before being dealt a major blow. The Ambassador noted that Syria may be the most vulnerable link in the Iranian regional network. It may be difficult to get at Hamas and Hizballah, and it is hard to influence Iran. But there may be ways to influence Syria.

Political Prognosis  
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¶10. (C) Asked what he thought would happen after the Kadima Party primaries, Lieberman blasted Kadima as responsible for the Gaza disengagement and the Second Lebanon War. Sharon and Olmert could not deliver, Livni and Mofaz would fare no better. Lieberman said he expected elections by early 2009 and hoped to see a coalition of Likud and YB, but it might not work due to YB's differences with Likud over religion and state issues such as conversion and civil marriage. Lieberman explained that these are key issues for his constituents, both the former Soviet immigrants and native-born secular Israelis. Lieberman called Likud Party leader Bibi Netanyahu "smart and a good speaker," but Netanyahu would also have to make tough decisions if he becomes prime minister.

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